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BIWEEKLY REPORT

SINO-SOVIET BLOC ECONOMIC ACTIVITIES IN UNDERDEVELOPED AREAS

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PREPARED BY THE WORKING GROUP
ON SINO-SOVIET BLOC ECONOMIC ACTIVITIES
IN UNDERDEVELOPED AREAS

ECONOMIC INTELLIGENCE COMMITTEE

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Summary of Events
15-28 June 1962

The Brazilian Foreign Office currently is considering a suggestion by the USSR that a Soviet air route to Brazil be established. After studying the Soviet request, Brazil's Civil Aeronautics Directorate has recommended that it be rejected. The Directorate asserted that the reciprocal right which such an arrangement would give Brazil's air line to fly into the USSR is not now economically justifiable. Although it is believed that the Brazilian Foreign Minister will refuse the Soviet request, there is considerable interest among Brazilian economic officialdom in the eventual establishment of air links with the Soviet Bloc.

The Soviet Industrial Exposition in Rio de Janeiro ended its 1-month run on 3 June, after surviving two bomb scares and much harsh criticism from the press and many public officials. The estimated 500,000 persons attending the fair reportedly showed a mixed reaction toward the Soviet displays. Although space equipment, heavy industrial goods, and farm machinery evoked much interest, the Brazilians were unimpressed with Soviet consumer goods, fashions, and technical instrumentation. Concerning the fair's commercial impact, Soviet officials claim to have made 1,200 contacts with potential Brazilian buyers and to have negotiated \$25 million in Soviet sales.

On 18 June a Soviet Il-18 left Moscow on a test flight for a proposed Aeroflot route down the west coast of Africa to Guinea, Mali, and Ghana. Moscow's determination to penetrate Africa with civil air routes is demonstrated by this flight, which was made in spite of the absence of Soviet air agreements with a number of countries that would make Aeroflot able to provide quicker and more direct service to West Africa.

Dahomey and Senegal have broken the previously solid front of the Afro-Malagasy Union (UAM), the 12 "Brazzaville States," by agreeing to establish diplomatic relations with a number of Bloc countries. Recent visits to the Bloc by Dahomey's Vice President Apithy and by Senegalese Premier Dia resulted in diplomatic, cultural, and economic accords with the USSR and Poland. The Dahomian mission initialed similar accords

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with Bulgaria and Czechoslovakia but apparently thwarted East Germany's hopes of achieving its first diplomatic relations with an African country.

During Malian President Keita's recent visit to Moscow, the USSR extended a new developmental credit of \$11 million to Mali and agreed to allocate the remainder of the 1961 credit, estimated to be \$27 million. Although the recipient projects have not been announced, there are indications that the agreement concerned aid to the Office du Niger, an autonomous agency of the Malian government concerned with large-scale irrigation and rice cultivation.

The Soviet-Indonesian arms agreement of 8 May provides for delivery to Indonesia of another squadron of Tu-16 medium bombers, at least two more squadrons of "modernized" MIG-19 jet fighters, more W-class submarines and small support vessels, and additional antiaircraft artillery. The deliveries, which are scheduled for completion by the end of July, are already underway.

Two new developments have occurred recently in Soviet practice regarding technical training for nationals of countries receiving Soviet developmental aid. A recently signed Soviet-Indian contract contains the unprecedented provision that Indian engineers, before going to the USSR for training, will receive instruction from Soviet experts presently in India. This arrangement should reduce the length of time required for training in the USSR, minimize the costs of training, and better utilize the services of Soviet specialists already working on Bloc projects in India. Another new Soviet technique is apparent in the reported agreement to train Ceylonese engineers at the Bhilai steel plant built by the USSR in India in preparation for working at a steel rolling mill which the USSR plans to construct in Ceylon. This practice, if generalized, would help maximize the intangible returns on Soviet foreign aid and could project the USSR into regional economic cooperation.

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